



LONDON BUSINESS 1000

London's local business survey



"The London Chamber of Commerce and Industry (LCCI) is delighted to have set up the *London Business 1000*, our new annual local business survey for Greater London. The survey provides a wealth of new data about the issues and topics affecting the capital's business community, focusing on training, recruitment and retention.

"It reveals that half of London businesses employ foreign nationals, predominantly because of the skills, education and experience they bring. Perhaps unsurprisingly, the survey shows that Brexit is the main challenge facing London businesses, with a sizeable number of firms expecting Brexit to have a negative impact, including on their ability to recruit and retain staff. What do business think would help? A flexible migration system, better availability and greater affordability of housing along with lower transport costs are certainly part of the answer. The survey will also provide policy makers with some useful insights into a topic rightly high on the political agenda – training and apprenticeships. Less than one in ten London firms currently use an apprentice, a figure that may rise following changes to the way apprenticeships are funded.

"We look forward to our continued collaboration with London Councils to foster closer understanding and cooperation between the capital's businesses and local authorities – crucial as London moves towards becoming a megacity of 10 million citizens by 2030 – and make the capital an even better place to do business."

Colin Stanbridge, Chief Executive, LCCI



"London is the heart of the UK economy, and at the heart of that economy are our businesses large and small.

"Some of London's businesses draw their customers and staff from within a single borough, some work within powerful sub-regional economies, while others – from huge banks to tiny tech companies – span the globe. They provide jobs and services to our boroughs, city and nation but they also play a wider part in our communities, from providing mentors to local schools and sponsoring cultural events to serving as councillors. Businesses will be crucial to ensuring the success of the economy as we move towards Brexit. It is vital that boroughs do what they can to support them and to do so we must listen to them, to develop a shared understanding of the issues we must tackle together.

"This report, which we will produce for the next three years, will help boroughs form a better understanding of the views of business leaders – from Southwark to Sutton, Bromley to Barnet and Haringey to Hounslow. We'll also have analysis of the different borough economic sub-regional partnerships in London.

"London boroughs are committed to developing a deeper and more informed conversation with business to ensure that all parts of London's economy continue to thrive as we rise to the challenge of Brexit."

Cllr Peter John OBE, Executive Member for business, skills and Brexit, London Councils

ABOUT 'LONDON BUSINESS 1000'

This year, for the first time LCCI and London Councils have commissioned leading polling company ComRes, to undertake a *local business survey* of Greater London.

The survey considers a range of topics that affect the capital's business community including apprenticeships and training, recruitment and retention, migration and outlook and opportunities for the year ahead. Data has been collected for London as a whole, as well as the sub-regions of Central, East, South and West London.*

The survey is based on responses from over 1,000 businesses – the *London Business 1000* – spread evenly across the four London sub-regions. The survey will be repeated annually over the next three years.

METHODOLOGY

ComRes surveyed a total of 1,018 London business leaders between 27 April and 2 June 2017. All data has been weighted to be representative of businesses both in London and in each of the sub-regions, by borough, company size, and broad industry sector. Sole traders have been excluded from the analysis.

Two categories are used for business size segmentation: micro businesses with fewer than 10 employees, and larger (small, medium and large) businesses with 10 or more employees

ComRes is a member of the British Polling Council and abides by its rules. Full data tables are available at www.comresglobal.com.

Any data reproduced from the report should be fully referenced.

* 'Central' includes Lewisham, Southwark, Lambeth, Wandsworth, Kensington & Chelsea, City of Westminster, City of London, Tower Hamlets, Hackney, Islington, Camden, and Haringey; 'East' includes Enfield, Waltham Forest, Redbridge, Newham, Greenwich, Bromley, Bexley, Barking & Dagenham, and Havering; 'South' includes Croydon, Sutton, Merton, Kingston upon Thames, and Richmond upon Thames; 'West' includes Hillingdon, Harrow, Ealing, Hounslow, Hammersmith & Fulham, Brent, and Barnet.

RECRUITMENT AND RETENTION

Lower transport costs and better availability and affordability of housing are the two factors most commonly selected as being beneficial to both recruitment and retention.



54% of firms rank addressing transport costs in their top two ways to improve recruitment

More than half of London businesses (55%) said they had recruited staff during the past 12 months, while a similar amount (54%) said they were planning to recruit in the year ahead. Larger businesses were particularly likely to have recruited during the past 12 months (90%), and three quarters (76%) of businesses who had recruited during the past year also expected to recruit in the 12 months ahead.

Asked about ways to make recruitment easier, 28% ranked lower costs of commuting/transport as the single most important factor. This was followed by 23% who cited better availability and affordability of housing, and 20% who raised the importance of fewer restrictions on immigration. Looking at respondents' top two choices, 54% cited transport/commuting costs, 44% housing and 31% immigration.

Notable differences were observed between different sub-regions (see text box below) and sectors. For example, a quarter of businesses in accommodation, food and recreation services (27%), communications (27%) as well as finance and support services (25%) ranked lower immigration restrictions as the main way to ease recruitment, making it

the second most cited issue amongst these industries. In comparison, it was ranked first by 17% or less of businesses in other sectors.

Businesses were also asked about ways to improve staff retention. Housing was most frequently cited as the top priority (26%), followed by transport costs (23%), while better government support for training and development programmes was the third most selected option (15%). Looking at respondents' top two priorities, housing remained top of the list (48%), closely followed by transport (45%), and training and development programmes (25%).

Again, some differences were observed between sub-regions (see text box below) and sectors, with 21% of businesses in the property and construction industry citing better government support to offer training and development programmes as the main retention priority. A quarter (27%) of professional, scientific and technical businesses raised better provision of childcare among their top two options, compared to 20% overall.



48% rank better availability and affordability of housing in their top two ways to improve retention

London's sub-regions

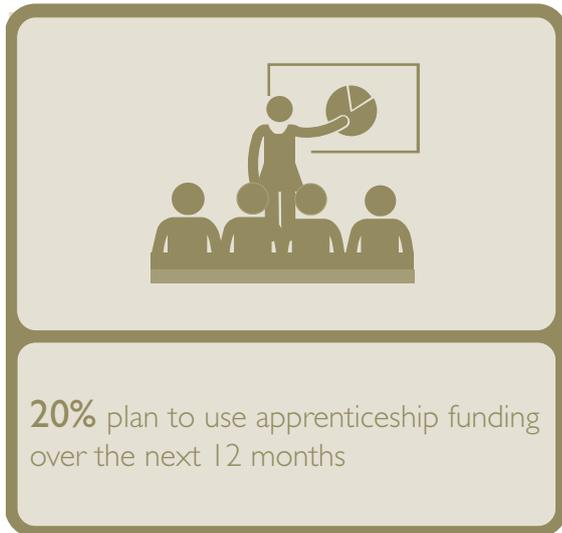
Throughout the survey, notable differences were identified between the four sub-regions, not least in relation to recruitment and retention.

Looking at the top two rankings, businesses in Central London were particularly likely to raise the cost of housing (54%) and transport (49%) as key ways to improve staff retention – compared to 45% or less for both in the other sub-regions. In contrast, businesses in East London more often selected government support for training programmes (33%), compared to 27% or less elsewhere.

Looking at the top two ways to improve staff recruitment, differences were found between Central and South London – where 47% ranked housing as one of the top issues – and businesses in East and West London where housing was mentioned by 40% of the respondents. Provision of childcare was identified as a top two priority by 29% of the businesses in South London, compared to 25% in the other sub-regions.

APPRENTICESHIPS AND TRAINING

Greater financial support is seen as the factor most likely to encourage businesses to take on more apprentices.



Asked about training used for existing and new staff, 30% of London businesses reported use of private sector training companies. This figure was higher for larger businesses (45%) than micro businesses (29%). Just one in ten business leaders reported use of Apprenticeship Training Associations (11%) or Further Education colleges (10%).

Overall, **8% of London businesses reported they are currently employing apprentices:** 7% for micro businesses and 19% for larger businesses. In this area, little variation was reported between different sectors.

Asked whether their business will be required to pay the apprenticeship levy, 7% said this was the case, 78% indicated they did not have to pay the levy, and 15% did not know. More businesses that will be required to pay the levy currently use apprentices, compared with those that do not think that they will be required to pay it (11% versus 7%, respectively).

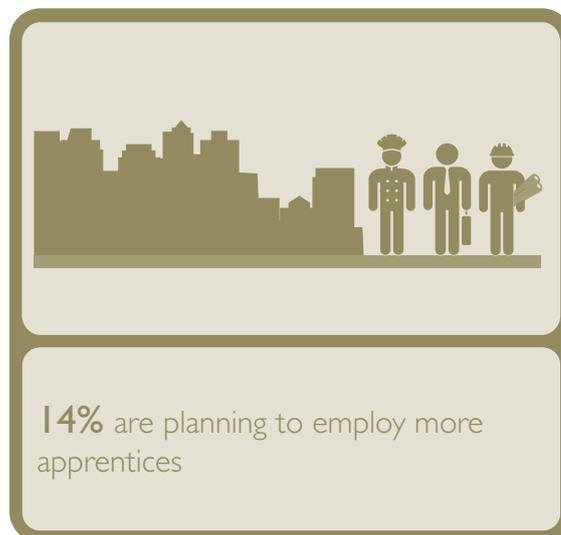
Looking ahead, **20% of businesses plan to use apprenticeship funding over the next 12 months** following the changes to the way apprenticeships are funded – this is two and a half times as many as currently use apprentices. Three quarters of businesses that will have to pay the levy (66%) intend to use apprenticeship funding, compared with a fifth for those businesses that do not have to pay it (17%).

Of businesses that plan to use apprenticeship funding, an overwhelming majority (69%) said they will increase the number of apprentices they use, while 14% said they will employ the same number of apprentices as before the funding changes, and 5% said they will use the funding but will employ fewer apprentices. **One in five (22%) London businesses said they will use apprenticeship funding to train existing employees as apprentices.**

Altogether this indicates that **14% of London businesses are planning to increase the number of apprentices they employ** – 82% of whom currently do not employ any apprentices at all.

Businesses that did not plan to use apprenticeship funding over the next 12 months cited practical reasons including being a small business (15%), having no plans to recruit in that period (13%) and lack of space (9%). Others referred to a lack of time to train apprentices (9%) or not having the work or cashflow to allow this (8%).

Although only 8% of London businesses currently use apprentices (and a further 12% plan to hire apprentices over the year ahead), **54% of businesses believe there could be benefits of increasing the number of apprentices for the company** – for example easier means of bringing in new staff and addressing skills shortages (mentioned by 9% and 7% of business leaders, respectively). A figure of 63% seeing benefits was reported for construction and property firms, while the difference between micro businesses and larger businesses was negligible. Four in ten (41%) London businesses did not see any benefits in increasing the number of apprentices they employ.



Asked what would make them more likely to hire apprentices, **financial circumstances were most cited, particularly among micro businesses.** Indeed, 15% of business leaders said that increased financial support to pay apprentice wages would make them more likely to hire more apprentices, while 14% said that more financial support for training and development would have that impact. A sizeable minority (31%) of businesses stated that no circumstances would make it more likely for them to hire apprentices.

MIGRATION *

Two in five (40%) London businesses employ EU workers and a quarter (24%) employ workers from outside the EU. Employing non-UK workers is mainly done to access their skills, education or experience.



Half (49%) of London Business 1000 respondents reported having non-UK staff: 40% employed non-UK EU staff, and 24% non-EU staff (indicating that 15% employed both). Large businesses were particularly likely to employ foreign nationals (81%), compared to micro businesses (46%). In addition, businesses in Central London most frequently reported having foreign nationality staff (54%), closely followed by businesses in West London (50%).

Looking specifically at high-skilled staff (professional, managerial and technical), 43% of businesses reported employing foreign nationals – rising to 75% among larger businesses. A third of businesses (35%) said they employed non-UK EU nationals and a fifth (19%) said they employed non-EU nationals.

A quarter (23%) of London businesses said that more than 25% of their high skilled staff were non-UK EU nationals, and 11% reported that was the case for more than half of their workforce. This reliance was much lower for non-EU staff: only 10% reported more than a quarter was from outside the EU, and just 3% reported more than half

of their staff were non-EU nationals. Looking at specific industries, the accommodation, food and recreation sector stands out, with 26% of businesses reporting more than half of their high-skilled staff were foreign nationals.

The main reason reported by London businesses why they hired high-skilled foreign nationals was the quality of their skills, experience or education (40%). Another 12% cited outstanding work ethic while 6% mentioned specific foreign language skills. Only a small minority reported a lack of UK nationals with the required skills (3%), experience (2%), and/or a lack of UK nationals applying for the job (5%) as a main reason for hiring non-UK nationals.

Quality of skills was particularly important for business leaders in the construction and professional/scientific sectors with 49% and 48% saying this was among their main reasons for hiring non-UK nationals.

When asked about semi or low-skilled staff (employees who are not in professional, managerial or technical roles) a similar pattern emerged, with four in ten (42%) businesses reporting they employ international staff, rising to 72% for larger businesses. Businesses in the accommodation, food and recreation industry again stood out, and to a lesser extent retail businesses: 44% and 40% respectively reported that at least a quarter of their semi or low-skilled staff were foreign nationals.

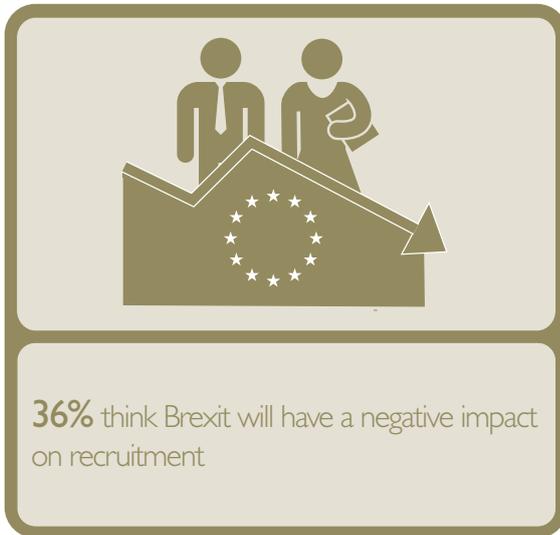
The main reasons reported by London businesses why they hired semi or low-skilled non-UK nationals were the same as for high-skilled staff. Two fifths (39%) cited the quality of their skills, experience or education, and again, only a small minority reported a lack of UK nationals with the required skills, experience, or a lack of UK nationals applying for the job (2%, 1% and 6% respectively). Work ethic scored particularly high in the construction and property industry, being raised by a third (31%) of the respondents, compared to 22% or less in other sectors.



* Non-responses have been excluded from this section. 4% of London businesses did not respond when asked about the nationality of their high-skilled staff, and 41% did not respond when asked about the nationality of their semi-or low skilled staff.

MAIN CHALLENGES AND BREXIT

Brexit is seen as the main challenge facing London businesses in the next twelve months.



Asked about the expected impact of Brexit over the next 12 months, a third (36%) of London businesses thought it would have a negative impact on their recruitment, while a quarter (26%) said it would negatively impact on their staff retention. Half (49%) did not expect Brexit to have an impact on recruitment, while six in ten (57%) did not expect it to impact on retention. Less than one in ten thought there would be a positive impact.

Businesses that currently employ EU nationals were most likely to expect a negative impact on recruitment and retention (53% and 39%, respectively).

Two in five (42%) London businesses thought that Brexit would have a negative impact on their business growth over the next 12 months, while 29% expected no impact, and 12% thought their business would experience a positive influence. Businesses that currently employ EU nationals were particularly likely to expect a negative impact (47%), compared to businesses only employing UK nationals (38%). Micro businesses also more often expected a negative outcome (43%) than larger businesses (33%).

Businesses in central London were most likely to say that Brexit will have a negative impact on their business overall: a quarter (26%) said it will have a negative impact in all the areas tested, significantly more than in the other three sub-regions (16% or less).

Overall, 16% of London businesses ranked Brexit as one of the main challenges for their businesses in the next 12 months, making Brexit the most frequently cited issue. Results were similar for micro businesses (17%), and larger businesses (14%). Other key challenges were domestic taxes or levies (15%) and uncertainty in the global economy (10%). A third (31%) of businesses in wholesale, storage, transport and motor trades raised domestic taxes or levies (including business rates) as a key challenge.

Finally, businesses were asked about their priorities for local government investment – particularly linked to retention of business rates revenue in London. The area that topped the list was business rates and rate reduction (14%). This was followed by promotion of startups and small businesses and transport management and maintenance (both 13%).



In their own words: What should be a priority for local government investment?

"It should go to helping or creating new businesses. Especially in the industry I'm in, people need support when they are starting up as it's really difficult to manage your finances and the workload and the employees."

"It should go to infrastructure, as the roads are very poor, and to telecommunications like broadband speed."

"Business rates should be reduced. I pay a third of the rent on my business rate, so it increases my rent by 30% which is criminal."

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